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UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION

WASHINGTON, D. C.

ADJUSTING COTTON PRODUCTION

I. THE PROBLEM

Question 1. Was there a burdensome supply of cotton on hand when the Agricultural Adjustment Act was signed by the President on May 12, 1933?

Answer. Yes. In August 1932, the world carry-over of American cotton was 13,000,000 bales, and the production that year was 13,000,000 bales, which gave a total world supply of 26,000,000 bales of American cotton. A total of 15,800,000 bales of American cotton is the most ever used in one season.

Question 2. What effect did these excess supplies have on the price of cotton and the purchasing power of farmers?

Answer. The price paid to cotton producers in 1932 averaged only 5.7 cents a pound and during that season declined to as low as 4.6 cents per pound, and a bale of cotton would buy less than half as much of the goods which farmers have to buy as a bale bought in the period from 1909 to 1914. The farmer could buy less industrial products and therefore people in industry were thrown out of work. Industrial workers in turn were unable to buy the customary amount of cotton goods.

Question 3. Did the prices of things the farmer buys go down in proportion to the prices received for things he sells, including cotton?

Answer. No. The farmer had to sell his cotton on a low price level and buy supplies on a higher level of prices. Therefore, farm prices, including those of cotton, were "below parity." Such a disadvantage to the Cotton Belt, which contains a third of the population of the United States, obviously needed immediate correction to prevent a disastrous economic collapse.

Question 4. Why was it impossible for each producer to solve his problems individually?

Answer. Secretary of Agriculture Henry C. Wallace, father of the present Secretary, described in an article in The Journal of Farm Economics in January 1924, why farmers acting individually cannot achieve and maintain a balance between supply and effective demand. He said: "In times such as these the problems of farm management on most farms are reduced to the simplest terms and can be stated very briefly. For example: Produce as much as you can and as cheaply as you can of what you can produce best; spend as little as you can; do without everything you can; work as hard as you can; make your wife and children work as hard as they can. Having done

this, take what comfort you can in the thought that if you succeed in doing what you set out to do, and if most other farmers also succeed, you will have produced larger crops than can be sold at a profit and you will still be under the harrow. Nevertheless, the average farmer is forced by unhappy circumstance to adopt exactly that policy. It is not good for the farmers, not good for the farmer's wife and children, not good for the Nation."

In other words, without some effective method of adjusting total production, the individual was forced to produce every pound of cotton possible, regardless of the fact that he would share in the general disadvantages of glutted markets and low prices.

II. 1933-34 COTTON PROGRAM

Question 5. What are the characteristics of the Cotton Adjustment Program thus far?

Answer. It is a voluntary cooperative effort on the part of the producers and the Government to improve the economic status of cotton producers by adjusting supplies of cotton to demand and maintaining balance between supply and demand.

Question 6. What are the aims of the cotton-adjustment program?

Answer. To get for each individual producer a reasonable return on his capital and labor used in cotton production; to regulate total supply of cotton available to meet domestic demands, and with large surpluses removed, to provide for as large a supply of cotton for export as can be sold at reasonable prices and to insure a safe carry-over to meet ordinary demands and also for emergency or unexpected demands.

Question 7. Is this the first effort on the part of producers to adjust supplies to demand?

Answer. No. Campaigns were carried on in 1905, 1915, 1921, and 1927, in the hope that reduction in acreage would bring about necessary adjustment in supplies. These campaigns were conducted by individual farmers and farm groups without Federal Government participation.

Question 8. Were these campaigns successful?

Answer. The acreage reduction goal was not reached in any case, although some reductions were brought about. The earlier campaigns might be called partly successful experiments. Features of the present program were either suggested or actually tried out in some of these earlier production control efforts.

Question 9. Is the cotton-adjustment program necessarily a reduction program?

Answer. No. The program is designed to provide for either reduction or expansion of supplies, whichever is needed to meet demands. The record supply of 26,000,000 bales for the seasons of 1931-32 and again in 1932-33 made it necessary that the program for the last 18 months be one of reduction. There probably will be years when further expansion of acreage will be just as desirable as was acreage reduction in 1933 and 1934. Adjustments will always be made with the view of maintaining a balance between supply and demand.

III. HOW THE PROGRAM WAS CARRIED OUT

Question 10. What was the first step in the 1933-34 program?

Answer. The first step was the enactment by Congress in May 1933 of the Agricultural Adjustment Act. The purpose of this Act was to establish and maintain a balance between the production and consumption of agricultural commodities and to bring about a balance between the prices of the things farmers sell and the things farmers buy.

Question 11. What feature of the 1933 and 1934 cotton-adjustment programs has made it profitable for the individual producer to take part in the program?

Answer. In the earlier attempts to control cotton production, farmers who did not cooperate increased their acreage and profited from price increases which had been made possible by the cooperators' acreage reduction. Nonparticipation of large numbers of growers undermined the earlier attempts. Cooperating producers were forced gradually to abandon their plans and return to unrestricted production. The Agricultural Adjustment Act provides for rental and parity payments to compensate the cooperating producer for making his acreage adjustment. This device identifies the individual grower's interest with that of the whole group and makes his cooperation pay him, both directly through payments and indirectly through sale of his crop for the higher price which adjustment brings.

Question 12. Do these payments have any purpose other than compensating farmers for the adjustment they make in the cotton acreage?

Answer. Yes. Besides making it possible through rental payments to obtain a reduction in acreage without sacrifice on the part of the grower, these payments also contribute to the farmer's return for the cotton he produces. The parity payments and, in part the rental payments, should be considered as much a part of the farmer's price as the price he receives on the open market.

Question 13. What part did the passage of the Bankhead Act play in the 1934 program?

Answer. The Bankhead Act, enacted by Congress April 21, 1934, provided for a tax of 50 percent of the average price of all cotton marketed in excess of ten million 500-pound bales. The purpose was the same as that of the cotton-adjustment program, and the method was supplementary to methods provided by the Adjustment Act. The Bankhead Act, with its tax provisions, undoubtedly influenced producers who otherwise might have withdrawn from the program under the Adjustment Act. The Bankhead Act discouraged producers who had not signed contracts from expanding their acreage so as to profit by the reduction made by other producers. Thus the Bankhead Act made it more certain that the desired reduction in national cotton production would be obtained in 1934.

Question 14. Where does the responsibility for administration of the cotton program primarily rest?

Answer. The administration is primarily local, resting upon the community and county committees chosen by the cotton producers.

IV. RESULTS OF THE PROGRAM

Question 15. What change in total supply of American cotton has been brought about?

Answer. There was an actual supply of 26,000,000 bales in each of the 1931-32 and 1932-33 cotton seasons. Until about 4½ million bales were plowed up in 1933, there was a prospective supply for 1933-34 of about 29,000,000 bales. With the adjustment program, this very large prospective supply was reduced to an actual supply of 24,800,000 bales for the 1933-34 season, and this year's supply is 20,100,000 bales.

Question 16. What change in price has been brought about by the cotton and other recovery programs?

Answer. The Cotton Adjustment Program has contributed to raising the price paid farmers for their cotton from an average of 6.5 cents per pound for the 1932-33 season to an average of 9.7 cents for the 1933-34 season and to 13.1 cents per pound September 15, 1934. The cottonseed price averaged \$31.54 per ton on September 15, 1934, compared with \$11.28 on September 15, 1932, and \$12.11 on September 15, 1933. Of course the drought had been a factor in the price rise, especially in cottonseed, and the Government's monetary policy has helped lift farm prices, including that of cotton.

Question 17. What changes have occurred in the total farm value of cotton and cottonseed since the adjustment program has been in effect?

Answer. The farm values of the cotton crop, including lint and cottonseed, for the last 3 years are as follows:

Crop Year	Value Lint	Value Seed	Total Farm Value
1932-----	\$424, 032, 000	\$59, 880, 000	\$483, 912, 000
1933-----	633, 266, 000	83, 741, 000	717, 007, 000
1934 ¹ -----	618, 516, 000	141, 456, 000	759, 972, 000

¹ Based upon prices received by producers September 15, 1934.

Question 18. What contribution to cotton producers' income has been made by rental and benefit payments?

Answer. The rental payments and 1933 option profits (based on 1934 prices) amounted to \$163,090,258 for 1933. The rental and parity payments in 1934 amount to \$116,505,809.

Question 19. What changes have been brought about in the total value to cotton producers as a result of increased prices for cotton and cottonseed, and rental and benefit payments?

Answer. Changes in total value are shown below:

Crop Year	Farm Value	Rental, Parity Payments, and Option Profits	Total Value
1932-----	\$483, 912, 000	None	\$483, 912, 000
1933-----	717, 007, 000	¹ \$163, 090, 258	880, 097, 258
1934 ² -----	³ 759, 972, 000	116, 505, 809	876, 478, 000

¹ The option profits thus far, of about 53 million dollars are included in this item.

² Based on October 1 crop report.

³ Based on prices received by producers September 15, 1934.

Question 20. What acreage has been released from cotton production and made available for growing food and feed crops as a result of the Cotton Adjustment Program?

Answer. From 40,852,000 acres in cotton on July 1, 1933, the acreage has been reduced to 27,241,000 in 1934. This freed 13,611,000 acres of land from cotton for production of food and feed crops, and practically all of this was so used. One survey in eight cotton-producing states indicates that only 2 percent of the rented acres were idle after May 29, 1934.

Question 21. In what way does the cotton-adjustment program afford growers protection when crops fail?

Answer. Rental and parity payments are made on the basis of past averages of acreage and production. Hence the amount paid is not affected by crop failure in the year's production on which they are paid. Therefore, these payments provide a form of crop insurance in time of crop failure. Rental and benefit payments under the Adjustment program and the sale of cotton tax exemption certificates under the Bankhead Act provide sources of cash income for growers whose crop has been severely reduced or destroyed by drought or other natural causes.

V. SHOULD ADJUSTMENT BE CONTINUED?

Question 22. Will the problems that faced cotton growers in the spring of 1933 recur unless adjustment measures are continued?

Answer. With no assured means for maintaining balanced production and improved income, two million individual producers would be under the same pressure as they were prior to 1933 to look to volume production as the chief factor in income, with less regard for price. Many cotton farmers feel that this would result in an acreage in 1935 much larger than the acreages of 1933 and 1934, and that the increase would be likely to bring about another excessive supply, low prices, and reduced income.

Question 23. Can control of production alone assure the cotton producer of a satisfactory level of income?

Answer. No. There are definite limitations on the influence of production control on producers' incomes. Chester C. Davis, Administrator of the Agricultural Adjustment Act, said in a recent address: "All farmers must realize that there are limits beyond which the reduction of production cannot succeed as a method of agricultural recovery. When supplies have been brought into line with effective demand, the farmers must look to further increases in the purchasing power of consumers if their gross income is to be further restored."

Question 24. What are some of the limitations on the control of cotton production?

Answer. The necessity for continuing adjustment rests upon the fact that it is necessary to prevent new surpluses. With total cotton supplies nearer normal levels, the cotton producer must look more and more to the revival of industrial production, and the revival of world trade, at the same time balancing his production to the requirements of his market. Domestic cotton consumption rises and falls with

industrial production. It is upon the resumption of industrial activity that the maintenance of the normal market for 40 percent of the cotton farmers' crop depends. Foreign consumption of American cotton will depend, to a greater degree than heretofore, upon the volume of imports purchased in this country from foreign cotton customers.

Question 25. What additional information should producers have and understand?

Answer. They should know the United States cotton situation; the foreign cotton situation; the United States and foreign outlook for cotton; the purposes and aim of the processing tax and the justification for such a tax.

For more detailed information see your committeeman, teacher of vocational agriculture, or county agent.



